



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER CRITTENDEN COUNTY CLERK**

January 1, 1999 through August 31, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

CRITTENDEN COUNTY DANNY BYFORD, FORMER COUNTY CLERK JANUARY 1, 1999 THROUGH AUGUST 31, 1999 FEE AUDIT

Description of Office:

The office of the County Clerk is mandated and regulated by state laws and regulations. The office of the County Clerk has been charged with the responsibility of licensing all motor vehicles and boats, collecting sales and property taxes on the same, registering voters, tabulating election results, and recording all manner of deeds, real estate and chattel mortgages as well as a myriad of other recordings. The County Clerk is also responsible for the collection of delinquent taxes and fees on delinquent tax bills received from the County Sheriff each year.

Audit Results:

The auditor has issued an unqualified opinion on the former County Clerk's financial statements for the period January 1, 1999 through August 31, 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statements of the auditee are presented fairly in all material respects.

Report Comments:

- Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account
- Former County Clerk Danny Byford Did Not Have An Adequate Segregation of Duties In His Office
- Former County Clerk Danny Byford Should Have Received A Monthly Salary Of One-Twelfth Of The Statutory Maximum

Excess Fees:

The County Clerk paid \$5,560 of excess fees to the county for calendar year 1999.

Deposits:

As of August 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name. The County Clerk had a written collateral security agreement, which met all legal requirements.

Final Settlement Expenses:

At the direction of the fiscal court, KRS 64.830 authorizes the Outgoing County Clerk to receive wages for his actual expenses incurred in preparing the final settlement. Former Crittenden County Clerk Danny Byford submitted a claim of \$6,709 for these final settlement expenses to the fiscal court on December 19, 2000. The fiscal court approved all of these expenses and remitted \$6,353 to the former County Clerk. The fiscal court retained \$356 for a salary overpayment made to the former County Clerk during his term of office.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Victor P. Hardin, Crittenden County Judge/Executive

Honorable Danny Byford, Former Crittenden County Clerk

Honorable Carolyn Byford, Crittenden County Clerk

Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of Danny Byford, former County Clerk of Crittenden County, Kentucky, for the period of January 1, 1999 through August 31, 1999. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the period of January 1, 1999 through August 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Victor P. Hardin, Crittenden County Judge/Executive
Honorable Danny Byford, Former Crittenden County Clerk
Honorable Carolyn Byford, Crittenden County Clerk
Members of the Crittenden County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated January 8, 2001, on our consideration of the former County Clerk's internal control over financial reporting and compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented comments and recommendations, included herein, which discusses the following areas of noncompliance:

- Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account
- Former County Clerk Danny Byford Did Not Have An Adequate Segregation of Duties In His Office
- Former County Clerk Danny Byford Should Have Received A Monthly Salary Of One-Twelfth Of The Statutory Maximum

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 8, 2001

CRITTENDEN COUNTY
DANNY BYFORD, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

January 1, 1999 through August 31, 1999

Receipts

State Fees For Services	\$	628
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Fiscal Court		9,293
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	153,894
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Usage Tax		345,625
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Tangible Personal Property Tax		368,584
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Licenses-

Fish and Game		5,420
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Marriage		2,415
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Occupational		29
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Boat Licenses		9,056
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Dog Tags		375
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Deed Transfer Tax		9,582
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Delinquent Tax		11,812
		906,792

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	5,239
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Real Estate Mortgages		6,712
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Chattel Mortgages and Financing Statements		23,187
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All Other Recordings		5,798
		40,936

Other:

Lien Fees	\$	1,624
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Accounts Receivable		85
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Miscellaneous		1,677
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Cash Overage		481
		3,867

Interest Earned		576

Gross Receipts (Carried Forward)	\$	962,092
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CRITTENDEN COUNTY
DANNY BYFORD, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
January 1, 1999 through August 31, 1999
(Continued)

Gross Receipts (Brought Forward) \$ 962,092

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 126,963	
Usage Tax	335,250	
Tangible Personal Property Tax	136,000	

Licenses-

Fish and Game	5,303	
Delinquent Tax	1,787	
Legal Process Tax	6,764	\$ 612,067

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 33,446	
Delinquent Tax	1,908	
Deed Transfer Tax	9,103	
Occupational Licenses	24	44,481

Payments to Other Districts:

Tangible Personal Property Tax	\$ 184,427	
Delinquent Tax	4,918	189,345

Payments to Sheriff 369

Payments to County Attorney 1,901

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 51,346
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Contracted Services-

Printing and Binding	2,011
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Materials and Supplies-

Office Supplies	4,624
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Other Charges-

Dues	300
Postage	1,554
Equipment Repair	450
Notary	10
Dog Tags	357
Refunds	1,142
Bad Debt Expense	29
County Clerk's Final Settlement Expenses (Note 4)	6,709

CRITTENDEN COUNTY
DANNY BYFORD, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
January 1, 1999 through August 31, 1999
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:
(Continued)

Capital Outlay-		
Office Equipment	\$ 1,678	\$ 70,210
Total Disbursements		\$ 918,373
Net Receipts		\$ 43,719
Less: Statutory Maximum		35,759
Excess Fees		\$ 7,960
Less: Expense Allowance		2,400
Excess Fees Due County for Calendar Year 1999		\$ 5,560
Payments to County Treasurer - October 28, 1999		5,560
Balance Due County at Completion of Audit		\$ 0

The accompanying notes are an integral part of the financial statement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

January 1, 1999 through August 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
AUGUST 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

Note 4. Final Settlement Expenses

At the direction of the fiscal court, KRS 64.830 authorizes the Outgoing County Clerk to receive wages for his actual expenses incurred in preparing the final settlement. Former Crittenden County Clerk Danny Byford submitted a claim of \$6,709 for these final settlement expenses to the fiscal court on December 19, 2000. The fiscal court approved all of these expenses and remitted \$6,353 to the former County Clerk. The fiscal court retained \$356 for a salary overpayment made to the former County Clerk during his term of office.

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COMMENTS AND RECOMMENDATIONS

CRITTENDEN COUNTY
DANNY BYFORD, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

January 1, 1999 through August 31, 1999

STATE LAWS AND REGULATIONS:

1) Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account

The Auditor of Public Accounts, under the authority of KRS 43.075 and 45 KAR 1:070, established minimum accounting requirements, which include depositing receipts intact on a daily basis and reconciling receipts to a daily check out sheet. During our audit we found that the former County Clerk did not comply with KRS 64.850 and KRS 68.210. The former County Clerk, for the period of January 1, 1999 to August 31, 1999, had 11 deposits in transit for an inordinately long period of time before being deposited into his official bank account.

We traced receipts as posted in the former County Clerk's receipts ledger for each business day during the audit period of January 1, 1999 through August 31, 1999 to the daily check out sheets, bank deposits, and bank statements. This procedure revealed 11 deposits totaling \$60,263.35, which did not clear the bank for at least 7 business days. Receipts from January 4, 1999, in the amount of \$14,977.61, were not deposited until May 3, 1999, for a time lapse of 86 business days between the date of receipt and the date of deposit. The average amount of the 11 deposits was \$5,478.49, and the average approximate time lapse between the receipt and the deposit to the official bank account was approximately 23 business days. As evidenced from the facts set forth, the former County Clerk did not deposit all monies collected by his office in a timely fashion, and he has engaged in the practice of "lapping" in which receipts of a following day or period are used to cover moneys not deposited on a previous day or period. In addition, if the former County Clerk had deposited these receipts properly, additional interest income could have been earned, which would have increased excess fees payable to the Crittenden County Fiscal Court.

The following schedule summarizes the 11 deposits during the period of January 1, 1999 to August 31, 1999 having a time lapse of at least 7 business days between the date of receipt and the date of bank deposits to the official bank account:

<u>Date Of Receipt</u>	<u>Date Of Deposit</u>	<u>Approximate Time Lapse (Days)</u>	<u>Amount of Deposit</u>
01/04/99	05/03/99	86	\$ 14,977.61
05/06/99	06/08/99	23	4,318.33
05/07/99	06/08/99	22	4,579.91
05/11/99	05/24/99	9	6,640.70
05/21/99	06/04/99	10	2,228.63
05/24/99	06/03/99	8	4,918.30
06/01/99	08/23/99	59	9,070.85
06/02/99	06/14/99	8	2,675.38
06/03/99	06/14/99	7	4,614.56
06/10/99	06/29/99	13	2,337.83
06/18/99	06/29/99	7	3,901.25
Totals		<u>252</u>	<u>\$ 60,263.35</u>

CRITTENDEN COUNTY
 DANNY BYFORD, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 January 1, 1999 through August 31, 1999
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

- 1) Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account (Continued)
-

Former Crittenden County Clerk Danny Byford's Response:

None.

- 2) Former County Clerk Danny Byford Should Have Received A Monthly Salary Of One-Twelfth Of The Statutory Maximum
-

The salary of the former County Clerk was established by KRS 64.535 and KRS 64.5275, which states that the County Clerk shall receive a maximum monthly salary of one-twelfth (1/12) of the statutory maximum each month. The former County Clerk should have received a maximum monthly salary in the amount of \$4,469.88, which totals \$35,759.04 for the period of January 1, 1999 through August 31, 1999. By August 31, 1999, the former County Clerk received \$37,358.99 in salary, which represented an overpayment in the amount of \$1,599.95.

The former County Clerk refunded \$1,243.80 of the salary overpayment as of August 31, 1999. However, \$356.15 was still due for the overpayment of salary. The fiscal court approved a claim for the payment of his final settlement expenses of \$6,708.84, as of December 19, 2000, however the former County Clerk was paid \$6,352.69 to offset \$356.15 due to the county. As of the completion of fieldwork, the County Clerk does not owe the fiscal court any additional excess fees.

Former Crittenden County Clerk Danny Byford's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

- 1) Former County Clerk Danny Byford Did Not Have An Adequate Segregation Of Duties In His Office
-

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition and a material weakness under standards established by the American institute of Certified Public Accountants. The former County Clerk chose to complete most, if not all bookkeeping duties, rather than segregate these duties among his staff. Since he completed these duties, management overrode any compensating controls that may have existed. The following comments discussed above is also a reportable condition and material weaknesses in regard to the former County Clerk's internal control:

- Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account

Former Crittenden County Clerk Danny Byford's Response:

None.

CRITTENDEN COUNTY
DANNY BYFORD, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
January 1, 1999 through August 31, 1999
(Continued)

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

The prior year uncorrected comments and recommendations are as follows and are discussed above in our current audit report:

- The County Clerk Should Deposit All Receipts Intact Daily In His Official Bank Account
- The County Clerk's Salary Should Be Paid On A Monthly Basis

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

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Members of the Crittenden County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the former Crittenden County Clerk as of August 31, 1999, and have issued our report thereon dated January 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Crittenden County Clerk's financial statement as of August 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account
- Former County Clerk Danny Byford Should Have Received A Monthly Salary Of One-Twelfth Of The Statutory Maximum

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Crittenden County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Comments and Recommendations.

- Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account
- Former County Clerk Danny Byford Did Not Have An Adequate Segregation of Duties In His Office

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- Former County Clerk Danny Byford Should Have Deposited All Receipts Intact Daily In His Official Bank Account
- Former County Clerk Danny Byford Did Not Have An Adequate Segregation of Duties In His Office

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 8, 2001

